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## Kellogg Company Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you. We will now be conducting the question and answer session. (Operator Instructions). Our first question comes from Jonathan Feeney with Janney Montgomery Scott. Please proceed with your question.

#### Jonathan Feeney – Janney Montgomery Scott

Good morning. Thank you guys.

#### David Mackay

Hi Jonathan.

#### Jonathan Feeney – Janney Montgomery Scott

David, you mentioned specifically price-driven competition in cereal your biggest business. And I guess I'm wondering does the response to that ultimately have to be price-driven? And as part of that, when you talk about a low single-digit, I guess a 3 to 4% internal net sales growth for 2009, I'm assuming you grow volume in U.S. cereal as part of that assumption.

#### David Mackay

Well I think our key focus is driving our brand, engaging with consumers through advertising and innovation, but we're also pragmatic about the current environment and we'll tailor our activities to respond to our consumers' needs and the current sensitivities in the market. So we think we've got ourselves well positioned as we look at that for 2009. I did mention that second-half comps in U.S. cereal through the first quarter until we see that competitive activity being lapped. But we're very focused on driving the business the right way, but we're also cognizant of the pressures the consumers are under and we'll work to respond to those in any way we can.

#### Jonathan Feeney – Janney Montgomery Scott

And are you comfortable saying whether you think cereal as a whole will grow this year?

#### David Mackay

Cereal as a category, yes, I think definitely the category showed great robust growth in '08. We'd expect that to continue through '09 and would expect to grow in that environment also.

**Jonathan Feeney – Janney Montgomery Scott**

Okay, thank you very much.

**David Mackay**

Thank you.

**Operator**

Our next question comes from Andrew Vincent with Morgan Stanley. Please proceed with your question.

**Andrew Vincent – Morgan Stanley**

Thank you. Good morning. I'm just wondering if you could help me tie the guidance together a little better relative to what you said at the 3Q call. You're taking down the top-line by mid-single-digits to 3 to 4%, but you've left your operating profit forecast at mid-single-digits. But now there's the \$0.06 from the peanut butter. And then also am I correct that previously you thought (inaudible) and now you're saying 4 to 5%. Is that right?

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